

MEDICAID SPENDING STATEWIDE FY 2021

SOCIAL SERVICES APPROPRIATIONS SUBCOMMITTEE
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ISSUE BRIEF

SUMMARY

This issue brief summarizes FY 2021 statewide spending on Medicaid of \$634,337,200 General Fund and \$6,200,400 Education Fund (\$3,918,069,100 total funds). Totals represent 29% of all General Fund spending statewide. Other entities provided \$358,288,500 or 36% of the matching funds used to draw down \$2,919,243,000 in federal funds in FY 2021. The data source for information in this brief comes primarily from information from the Department of Health in connection with its work on the annual report entitled "*Utah Annual Report of Medicaid & CHIP*." This brief is for informational purposes only and requires no Legislative action.

DISCUSSION AND ANALYSIS

Five State government entities (Departments of Health, Human Services, and Workforce Services as well as the Office of Inspector General and the Attorney General) together with the University of Utah Hospitals and Clinics spent \$3,918,069,100 total funds in FY 2021 on Medicaid. The table below details the FY 2021 statewide spending on Medicaid by each entity:

Medicaid Spending by State Entity in FY 2021		
Entity	Money Spent	% of Total
Department of Health	\$2,802,324,200	72%
University of Utah Hospitals & Clinics	\$614,894,400	16%
Department of Human Services	\$443,968,600	11%
Department of Workforce Services	\$52,173,800	1%
Office of the Inspector General	\$2,471,300	0.1%
Attorney General	\$2,236,800	0.1%
Total	\$ 3,918,069,100	100%

Of the \$3,918,069,100 total funds spent on Medicaid in FY 2021, 4% or \$144,456,600 went for State administration. The other 96% or \$3,918,069,100 paid for medical services. The federal government provided 70% or \$2,919,243,000 of the total funding (including federal offsets of \$195,313,000 from other revenue sources) with the remaining \$998,826,100 or 30% from matching funds.

Of the \$998,826,100 in matching funds, the State General Fund provided \$634,337,200 or 64%, the Education Fund another \$6,200,400 or 1%, and other entities provided the remaining \$358,288,500. Generally these entities are seeding money because those entities are receiving additional federal match. The table on the following page details the purposes and sources of the seed money, the matching provided other entities as well as the State's General and Education Funds.

The \$634,337,200 General Fund spent on Medicaid represents 29% of all the \$2,170,928,000 General Fund spending statewide in FY 2021.

Offsets to Medicaid Expenditures

There are six general categories of offsets to Medicaid expenditures, which totaled \$435,547,700 in FY 2021. Most offsets result in the Medicaid program avoiding a payment, but in some cases the Medicaid program uses the money collected to offset the total expenditures. The list beginning on page two includes a discussion on each offset.

MEDICAID SPENDING STATEWIDE FY 2021

Matching Funds	Source	FY 2021	% State Funding	General Fund	Education Fund	% of All Matching
Health Department - Medicaid	State	\$444,771,400	100%	\$ 444,771,400	\$ -	45%
Human Services	State	\$130,727,800	100%	\$ 130,236,000	\$ -	13%
Sales Tax 0.15% Add On	State	\$106,247,000	0%	\$ -	\$ -	11%
Hospital Assessments	companies	\$60,749,200	0%	\$ -	\$ -	6%
Pharmacy Rebates	companies	\$43,709,700	0%	\$ -	\$ -	4%
Capitated Mental Health	counties	\$41,762,000	83%	\$ 34,554,000	\$ -	4%
Nursing Home Assessment	companies	\$37,847,700	0%	\$ -	\$ -	4%
Nursing Facility Upper Payment Limit	local gov.	\$34,274,000	0%	\$ -	\$ -	3%
Inpatient Payment Seeds	U Hospital	\$23,536,000	0%	\$ -	\$ -	2%
Workforce Services	State	\$14,449,600	94%	\$ 13,540,600	\$ -	1%
Physician Enhancement	U Hospital	\$14,256,600	0%	\$ -	\$ -	1%
Outpatient Hospital Upper Payment Limit	U Hospital	\$10,563,600	0%	\$ -	\$ -	1%
School Districts	schools	\$10,022,500	52%	\$ -	\$ 5,211,700	1%
Disproportionate Share Hospital	U Hospital, counties	\$6,530,000	0%	\$ -	\$ -	1%
Substance Abuse	counties	\$4,404,600	78%	\$ 3,442,100	\$ -	0%
Ambulance Assessment	companies	\$4,153,900	0%	\$ -	\$ -	0%
Family Health & Preparedness	State	\$2,725,200	100%	\$ 2,725,200	\$ -	0%
CHIP Allocation	State	\$1,211,700	100%	\$ 1,211,700	\$ -	0%
Office of the Inspector General	State	\$1,106,400	100%	\$ 1,106,400	\$ -	0%
Corrections	State	\$785,000	100%	\$ 785,000	\$ -	0%
University of Utah School of Dentistry	State	\$685,600	41%	\$ 48,000	\$ 233,100	0%
Utah Schools for the Deaf and Blind	State	\$657,600	100%	\$ -	\$ 657,600	0%
Tobacco Settlement Account	State	\$570,000	0%	\$ -	\$ -	0%
Medicaid Fraud Control Unit	State	\$498,200	100%	\$ 498,200	\$ -	0%
Health & Dental Clinics	State	\$430,900	0%	\$ -	\$ -	0%
Local Health Departments	counties	\$428,300	100%	\$ 428,300	\$ -	0%
Disease Control and Prevention	State	\$345,500	100%	\$ 345,500	\$ -	0%
Health Information Technology	State	\$335,600	0%	\$ -	\$ -	0%
Medicaid Restricted Account	State	\$300,000	100%	\$ 300,000	\$ -	0%
University of Utah HITEC	State	\$288,300	41%	\$ 20,200	\$ 98,000	0%
Center for Health Data	State	\$202,500	100%	\$ 202,500	\$ -	0%
Attorney General	State	\$122,100	100%	\$ 122,100	\$ -	0%
Nurse Aid Registry	DTC	\$91,200	0%	\$ -	\$ -	0%
Other	misc.	\$36,400	0%	\$ -	\$ -	0%
Total		\$998,826,100	64%	\$ 634,337,200	\$ 6,200,400	100%

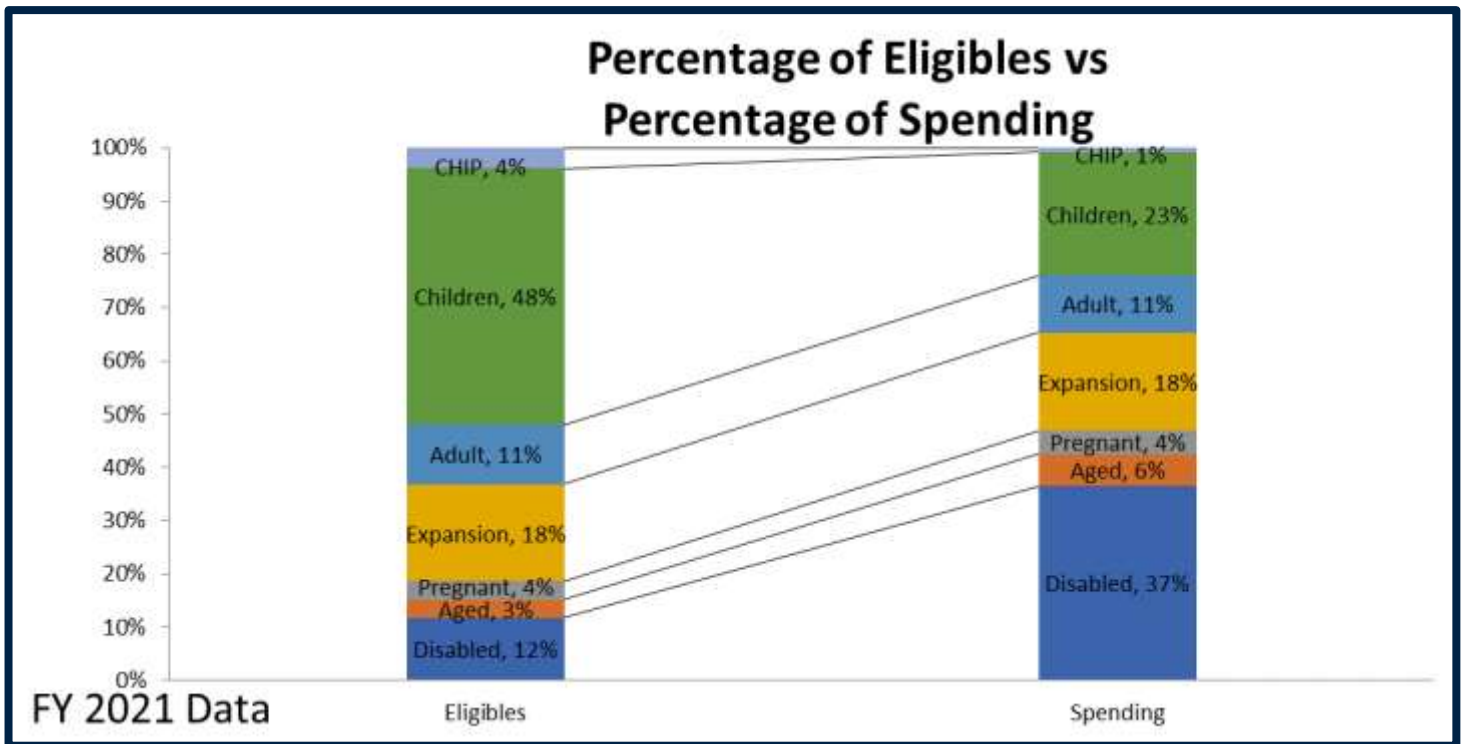
1. **Pharmacy rebates** – the State collected \$239,022,700 in rebates from volume discounts which the program used to offset expenditures.
2. **Third party liability** – Medicaid charged/collected \$163,778,800 from third parties (Medicare, private insurance, or parties causing medical injury to Medicaid clients). The Department of Health reports that 9% of Medicaid clients had another medical insurance.
3. **Client contributions** – Medicaid clients contributed \$18,438,400 to participate in the Medicaid program. The list below includes a discussion of three categories in which client contributions take place:
 - a. Spenddown Income – clients spent down or paid \$10,397,200 of their income to participate in the Medicaid program. This spenddown allows the client to qualify for Medicaid by lowering their income via qualified medical expenses.
 - b. Probate – the State recovered \$6,310,100 from estates assigned to the State when an individual began receiving Medicaid benefits.
 - c. Co-payments – these are reduced from the reimbursement paid to providers and represented \$1,731,100 or 0.04% of all expenditures in FY 2021. Seventy-three percent of the co-payments came from pharmacy co-payments.
4. **Office of Inspector General, Attorney General, and Department of Health Collections** – these three agencies recovered \$11,354,000 in overpayments to providers.
5. **Recovery Audit Contractor** – this contractor received \$2,024,200 in overpayments to providers.
6. **Support Payments** – the State received \$929,600 in court-ordered support payments for Medicaid clients.

What Roles Does Each State Agency Play in Medicaid?

1. **Department of Health** – as per federal regulation all Medicaid money flows through the Department of Health and flows out to others via memorandums of understanding/contracts. Primarily the Department oversees Medicaid expenditures and reimburses providers for medical services.
2. **Department of Human Services** – directly provides or contracts for Medicaid services to persons with disabilities, families in crisis, youth in the criminal justice system, and individuals who have mental health or substance abuse problems.
3. **Department of Workforce Services** – the Department determines the vast majority of eligibility for Medicaid clients.
4. **Office of Inspector General** – reviews accuracy of Medicaid billings to identify fraud, waste and abuse within the program and conducts performance audits of Medicaid controls to ensure program efficiency.
5. **Attorney General's Medicaid Fraud Control Unit** – this unit investigates and prosecutes provider fraud and abuse in Medicaid. Attorneys in the Department of Health provide additional legal support to Medicaid.

The tables on the following page have a summary of eligibles vs expenditures in table and graphic form:

<u>Category</u>	<u>Eligibles</u>	<u>Spending</u>	<u>Spending/ Eligibles</u>	<u>Rank Most Expensive</u>
Disabled	11.7%	36.5%	3.1	1
Aged 65+	3.4%	6.0%	1.8	2
Pregnant	3.5%	4.4%	1.3	3
Expansion	18.2%	18.4%	1.0	4
Parents 19-64	11.2%	10.7%	1.0	5
Children	48.2%	23.2%	0.5	6
CHIP	3.8%	0.8%	0.2	7



If you take the percentage of total spending by each eligibility group divided by the percentage of total number of eligibles for each eligibility group, the following groups are the three most expensive: (1) disabled, (2) aged, and (3) pregnant.

Mental Health - County(s) or Contracted Providers - FY 2021

<u>Provider Group</u>	<u>Money Seeded for Services</u>	<u>Money for Admin Fee</u>	<u>% Admin Charged</u>	<u>Total Seeded</u>	<u>State Pass-thru Provided¹</u>	<u>20% County Match</u>	<u>Total Match & Pass-thru</u>	<u>Seeding (Over)/Under Match</u>
Bear River	\$ 2,530,800	\$ 109,200	4.3%	\$ 2,640,000	\$ 2,279,200	\$ 455,800	\$ 2,735,000	\$ 95,000
Central Utah	\$ 1,040,200	\$ 54,000	5.2%	\$ 1,094,200	\$ 1,376,700	\$ 275,300	\$ 1,652,000	\$ 557,800
Davis County	\$ 3,157,300	\$ 132,800	4.2%	\$ 3,290,100	\$ 3,724,000	\$ 744,800	\$ 4,468,800	\$ 1,178,700
Four Corners	\$ 865,600	\$ 47,400	5.5%	\$ 913,000	\$ 827,100	\$ 165,400	\$ 992,500	\$ 79,500
Northeastern/Uintah Basin & San Juan County	\$ 1,123,300	\$ 56,700	5.0%	\$ 1,180,000	\$ 1,208,000	\$ 241,600	\$ 1,449,600	\$ 269,600
Salt Lake County	\$ 16,075,800	\$ 603,900	3.8%	\$ 16,679,700	\$ 13,652,700	\$ 2,730,500	\$ 16,383,200	\$ (296,500)
Southwest	\$ 2,785,600	\$ 119,200	4.3%	\$ 2,904,800	\$ 3,101,600	\$ 620,300	\$ 3,721,900	\$ 817,100
Summit County	\$ 405,400	\$ 26,100	6.4%	\$ 431,500	\$ 482,600	\$ 96,500	\$ 579,100	\$ 147,600
Tooele County	\$ 786,300	\$ 44,400	5.6%	\$ 830,700	\$ 918,900	\$ 183,800	\$ 1,102,700	\$ 272,000
Wasatch (Utah & Wasatch)	\$ 7,814,400	\$ 318,300	4.1%	\$ 8,132,700	\$ 7,324,100	\$ 1,464,800	\$ 8,788,900	\$ 656,200
Weber County	\$ 3,518,200	\$ 146,200	4.2%	\$ 3,664,400	\$ 3,419,500	\$ 683,900	\$ 4,103,400	\$ 439,000
FY 2021 Total	\$ 40,102,900	\$ 1,658,200	4.1%	\$ 41,761,100	\$ 38,314,400	\$ 7,662,700	\$ 45,977,100	\$ 4,216,000

(1) **Explanation from the Department of Human Services:** "Updated with FY 2021 allocations to Local Authorities which required a 20% county match. Additional funds available for Medicaid Match (but not necessarily used for that purpose) such as DORA, Children's Outplacement, and Amended Amounts were allocated to the Local Authorities. These additional funds are not included above since there was no county match requirement associated with them."

County Seeded Funds

The table above compares the money seeded by county mental health provider compared to the State funds provided that can be used for Medicaid and 20% required county match. The Department of Human Services explains why some counties did not use all the pass through possible for Medicaid seed money with stating that counties have responsibilities beyond what is covered by Medicaid as per UCA 17-43-301(6)(b) as well as UCA 17-43-201 and the amount provided by the State is for safety net services.

Matching Funds, What Are the Non-state Sources?

The categories below explain all the matching fund categories sources in the table on page two that do not come from the General Fund and/or Education Fund:

1. Human Services – "Utah Transit Authority transfers seed money to Division of Services for People with Disabilities, which is used to draw Medicaid for transportation services."
2. Sales Tax 0.15% Add On – Utah voters passed Proposition 3 in 2018 which added a 0.15% sales tax statewide beginning April 2019 to help pay for the costs of Medicaid expansion.
3. Hospital Assessments - Hospitals pay an assessment on all inpatient visits, which the Department of Health uses to pay higher Medicaid reimbursement rates to hospitals. For the Medicaid Expansion population, hospitals pay an additional assessment.
4. Pharmacy Rebates – The Department of Health: "negotiates supplemental rebates with manufacturers for increased offsets. In addition, the state receives primary rebates which are negotiated by the federal government."
5. Capitated Mental Health – the money comes from the counties' general fund. There is a minimum required match of 20% from the counties for State General Fund received.
6. Nursing Home Assessment – Nursing homes pay an assessment on all non-Medicare bed days, which the Department of Health uses to pay higher Medicaid reimbursement rates to nursing homes.
7. Nursing Facility Upper Payment Limit – local government owned nursing homes provide seed money to increase their reimbursement rates.

8. Inpatient Payment Seeds – this is the University of Utah Hospital’s contribution to participate in the Inpatient Upper Payment Limit supplemental payment program.
9. Workforce Services – “certain local governments, hospitals, and school districts provide match money to house an eligibility worker on site to assist clients.”
10. Physician Enhancement - University of Utah Medical Group provides match money to receive reimbursement up to the average commercial rate for its physicians.
11. Outpatient Hospital Upper Payment Limit – Health: “Government owned hospitals provide seed money to participate in the Outpatient Upper Payment Limit supplemental payment program.”
12. School Districts - local education agencies providing Medicaid services at school for Medicaid-eligible children.
13. Disproportionate Share Hospital – Government owned hospitals that serve a disproportionate share of Medicaid and uninsured patients provide seed money to receive a supplemental payment. The intent of the payment is to offset some of the hospitals' uncompensated costs in serving these individuals.
14. Substance Abuse - the money comes from the counties’ general fund. There is a minimum required match of 20% from the counties for State General Fund received.
15. Ambulance Assessment - Ambulance service providers pay an assessment on all ground transports, which the department uses to pay higher Medicaid reimbursement rates to ground ambulance service providers.
16. University of Utah School of Dentistry – the School of Dentistry provides match funds which is used to draw down federal funds to serve clients not previously eligible for dental services.
17. Utah Schools for the Deaf and Blind (USDB) – Health: “USDB provides early intervention services for Medicaid eligible individuals.”
18. Tobacco Settlement Account – funds in the account come from annual payments that began in FY 2002 stemming from a master settlement agreement with tobacco companies.
19. Health & Dental Clinics - Health: “The clinics charge fees to patients (and their insurance companies) who receive services.”
20. Health Information Technology – Health: “Other divisions within the Utah Department of Health, as well as the Division of Occupational and Professional Licensing, provide match funds which are used to draw down federal funds for various Health Information Technology for Economic and Clinical Health (HITECH) projects.”
21. University of Utah HITECH – Health: “The University of Utah provides match funds which are used to draw down federal funds for the Pediatric Patient Summary – Medical Home Portal HITECH project.”
22. Nurse Aide Registry – Health: “The Davis Technical College provides training and competency evaluation programs to individuals who provide nursing or nursing-related services to residents in a nursing facility in accordance with the requirements of Titles 18 and 19 of the Social Security Act.”
23. Other – Health: “The majority of these funds were a transfer by the Department of Technology Services for an innovation grant.”

Sources

The financial information for this brief originates primarily from information provided by the Department of Health in preparation for its annual report entitled “*Utah Annual Report of Medicaid & CHIP*.”